
THE TOWN OF WAKITA

(Including the Wakita Utilities Authority and the Wakita Public Works Authority)

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
The Town of Wakita, Oklahoma

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

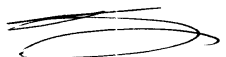
Other Matters

Accounting principles generally accepted in the United States of America require that the schedule of funding progress and budgetary comparison information on pages 21 and 22 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2014, on our consideration of the internal control over financial reporting of the Town of Wakita and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Wakita's internal control over financial reporting and compliance.

 , C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
September 16, 2014

THE TOWN OF WAKITA
STATEMENT OF NET POSITION
JUNE 30, 2014

(Memo Only)

	Governmental Activities	Business-type Activities	Total 2014	Total 2013
ASSETS				
Current Assets				
Cash and demand deposits	246,785	91,267	338,052	335,273
Certificates of deposit	108,103	53,676	161,779	161,488
Restricted cash and investments	789,213	40,511	829,724	619,393
Revenue and accounts receivable	18,637	21,597	40,234	44,239
Allowance for doubtful accounts	0	(1,480)	(1,480)	(1,477)
Internal balances	(21)	21	0	0
Total current assets	1,162,717	205,592	1,368,309	1,158,916
Noncurrent Assets				
Depreciable property and equipment	1,207,322	2,194,914	3,402,236	3,165,517
Accumulated depreciation	(641,004)	(678,800)	(1,319,804)	(1,197,606)
Net depreciable property and equipment	566,318	1,516,114	2,082,432	1,967,911
Land	0	160,000	160,000	160,000
Construction in progress	0	0	0	11,387
Total noncurrent assets	566,318	1,676,114	2,242,432	2,139,298
TOTAL ASSETS	1,729,035	1,881,706	3,610,741	3,298,214
LIABILITIES				
Current Liabilities				
Accounts payable	5,121	2,688	7,809	7,703
Current portion of notes payable	1,202	15,172	16,374	6,305
Total current liabilities	6,323	17,860	24,183	14,008
Noncurrent Liabilities				
Meter deposits refundable	0	12,640	12,640	14,100
Notes payable, less current portion	13,464	378,896	392,360	369,399
Total noncurrent liabilities	13,464	391,536	405,000	383,499
TOTAL LIABILITIES	19,787	409,396	429,183	397,507
NET POSITION				
Net investment in capital assets	551,652	1,282,046	1,833,698	1,763,594
Restricted for:				
Fire department	780,721	0	780,721	572,266
Debt	0	27,871	27,871	24,071
Unrestricted	376,875	162,393	539,268	540,776
TOTAL NET POSITION	1,709,248	1,472,310	3,181,558	2,900,707

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position			(Memo Only)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total 2014	Total 2013
Governmental activities:								
General government	(80,130)	13,133	10,978	125,141	69,122		69,122	(67,584)
Police department	(57,722)	0	0	0	(57,722)		(57,722)	(53,100)
Fire department	(34,797)	300	228,893	0	194,396		194,396	285,073
Street department *	(67,420)	0	43,222	0	(24,198)		(24,198)	(26,618)
Total governmental activities	(240,069)	13,433	283,093	125,141	181,598	0	181,598	137,771
Business-type activities:								
Sewer department	(81,551)	27,777	0	0		(53,774)	(53,774)	(35,410)
Trash department	(24,128)	27,311	0	0		3,183	3,183	5,815
Water department **	(111,502)	82,263	0	0		(29,239)	(29,239)	(34,032)
Gas department	(132,033)	148,027	0	0		15,994	15,994	50,962
Total business-type activities	(349,214)	285,378	0	0	0	(63,836)	(63,836)	(12,665)
Total all activities	(589,283)	298,811	283,093	125,141	181,598	(63,836)	117,762	125,106
General revenues:								
Taxes:								
Sales and use taxes					122,767	0	122,767	115,926
Franchise and public service taxes					12,284	0	12,284	12,388
Investment income					649	336	985	1,017
Other revenues					6,691	20,362	27,053	14,124
Donated capital assets					0	0	0	200,000
Transfers					(125,141)	125,141	0	0
Total general revenues and transfers					17,250	145,839	163,089	343,455
Change in net position					198,848	82,003	280,851	468,561
Beginning net position					1,510,400	1,390,307	2,900,707	2,432,146
Ending net position					1,709,248	1,472,310	3,181,558	2,900,707

* Interest expense of \$859 is
included in the street department

** Interest expense of \$11,620 is
included in the water department

**THE TOWN OF WAKITA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General Fund</u>
ASSETS	
Cash and demand deposits	246,785
Certificates of deposit	108,103
Restricted cash and investments	789,213
Revenue receivable	18,637
TOTAL ASSETS	<u>1,162,738</u>
LIABILITIES	
Accounts payable	5,121
Due to other funds	21
TOTAL LIABILITIES	<u>5,142</u>
FUND BALANCE	
Restricted:	
County fire tax for fire department	780,721
Workers comp reserves	8,492
Unrestricted:	
Unassigned	368,383
TOTAL FUND BALANCE	<u>1,157,596</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>1,162,738</u>
Reconciliation of fund balance to net position of governmental activities:	
Fund balance	1,157,596
Capital assets	1,207,322
Accumulated depreciation	(641,004)
Capital lease payable	(14,666)
Net position	<u>1,709,248</u>

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>General Fund</u>
REVENUES	
Sales and use taxes	122,767
Franchise taxes	12,284
Shared taxes	238,239
Grants	169,570
Rental revenues	13,113
Interest	649
Other revenues	<u>3,392</u>
TOTAL REVENUES	560,014
EXPENDITURES	
General government	44,191
Police department	54,323
Fire department	17,384
Street department	61,087
Debt service	1,996
Capital outlay	<u>4,100</u>
TOTAL EXPENDITURES	183,081
REVENUES OVER EXPENDITURES	376,933
OTHER FINANCING SOURCES (USES)	
Transfers-in (out)	(125,141)
Sales of capital assets	<u>4,324</u>
NET OTHER FINANCING SOURCES (USES)	(120,817)
NET CHANGE IN FUND BALANCES	256,116
BEGINNING FUND BALANCE	<u>901,480</u>
ENDING FUND BALANCE	<u><u>1,157,596</u></u>
Reconciliation of net change in fund balance to change in net position of governmental activities:	
Net change in fund balances - total governmental funds	256,116
Capital asset purchases capitalized	4,100
Depreciation expense	(62,226)
Principal payments on capital lease	1,137
Gain on sale of capital assets	<u>(279)</u>
Change in net position of governmental activities	<u><u>198,848</u></u>

The accompanying notes are an integral part of these financial statements

**THE TOWN OF WAKITA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014**

	<u>Wakita Utilities Authority</u>
ASSETS	
Current Assets	
Cash and demand deposits	91,267
Certificates of deposit	53,676
Restricted cash and investments	40,511
Due from other funds	21
Accounts receivable	21,597
Allowance for doubtful accounts	<u>(1,480)</u>
Total current assets	205,592
Noncurrent Assets	
Depreciable property and equipment	2,194,914
Accumulated depreciation	<u>(678,800)</u>
Net depreciable property and equipment	1,516,114
Land	160,000
Total noncurrent assets	<u>1,676,114</u>
TOTAL ASSETS	<u><u>1,881,706</u></u>
LIABILITIES	
Current Liabilities	
Accounts payable	2,688
Current portion of notes payable	<u>15,172</u>
Total current liabilities	17,860
Noncurrent Liabilities	
Meter deposits refundable	12,640
Notes payable, less current portion	<u>378,896</u>
Total noncurrent liabilities	<u>391,536</u>
TOTAL LIABILITIES	409,396
NET POSITION	
Net investment in capital assets	1,282,046
Restricted for debt service	27,871
Unrestricted	<u>162,393</u>
TOTAL NET POSITION	<u><u>1,472,310</u></u>

**THE TOWN OF WAKITA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Wakita Utilities Authority</u>
OPERATING REVENUES	
Sewer revenues	19,632
Trash revenues	27,311
Water revenues	82,263
Gas revenues	148,027
Late fees	1,557
Sewer surcharge	8,145
Other income	<u>18,805</u>
TOTAL OPERATING REVENUES	305,740
OPERATING EXPENSES	
Sewer department	81,551
Trash department	24,128
Water department	99,882
Gas department	<u>132,033</u>
TOTAL OPERATING EXPENSES	337,594
OPERATING INCOME (LOSS)	(31,854)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	336
Interest expense	<u>(11,620)</u>
NET NON-OPERATING REVENUES (EXPENSES)	(11,284)
INCOME BEFORE TRANSFERS	(43,138)
Transfers-in	<u>125,141</u>
INCREASE IN NET POSITION	82,003
BEGINNING NET POSITION	<u>1,390,307</u>
ENDING NET POSITION	<u><u>1,472,310</u></u>

**THE TOWN OF WAKITA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014**

	<u>Wakita Utilities Authority</u>
Cash flows from operations:	
Cash received from:	
Customers	287,225
Other operating receipts	18,805
Cash payments for:	
Goods and services	(202,915)
Employees	<u>(73,570)</u>
Net cash provided from operations	29,545
Cash flows from capital financing activities:	
Principal payments	(5,168)
Interest payments	(11,620)
Grants transferred from general fund	125,141
Purchases of capital assets	(184,695)
Net transfers from restricted accounts	<u>(3,800)</u>
Net cash from capital financing activities	(80,142)
Cash flows from investing activities:	
Interest income	<u>269</u>
Net cash from investing activities	269
Net increase (decrease) in cash	<u>(50,328)</u>
Beginning cash	<u>141,595</u>
Ending cash	<u><u>91,267</u></u>
Reconciliation of income from operations to net cash from operations:	
Operating income (loss)	(31,854)
Adjustments to income from operations:	
Depreciation	62,492
Change in assets and liabilities:	
(Increase) decrease in receivables	1,750
Increase (decrease) in payables	(1,383)
Increase (decrease) in refundable deposits	<u>(1,460)</u>
Net cash provided by operations	<u><u>29,545</u></u>
 ** Activity in debt service accounts:	
Beginning cash	24,071
Transfers from operating account	<u>3,800</u>
Ending cash	<u><u>27,871</u></u>

** Activity in trust accounts is supplemental information.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

1. Summary of Significant Accounting Policies

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

1A. Financial Reporting Entity

The Town of Wakita (Town) operates under the Statutory Town Board of Trustees form of government and provides the following major services: public safety, streets, public improvements, planning and zoning, and general administration. In conformity with GASB-14, the financial statements of the following component unit have been included in the financial reporting entity as a blended component unit because its operating and financial relationship is significant to the Town.

1B. Blended Component Units

The Wakita Utilities Authority (WUA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the WUA is reported as if it were part of the Town's operations because its purpose is to finance and provide water, sewer, trash, and gas services to the citizens of the Town. The WUA does not present separate financial statements.

The Wakita Public Works Authority (PWA), an entity legally separate from the Town, is governed by the same board of trustees that governs the Town. For financial reporting purposes, the PWA is reported as if it were part of the Town's operations because its purpose was to finance construction of a community health center for the citizens of the Town. Since its purpose has been fulfilled, it is currently inactive. However, the building is currently leased to the James Dennis Medical Foundation (Community Health Center) in a contract that expires June 30, 2015.

1C. Basic Financial Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Town's police, fire, streets and general administration are classified as governmental activities. The Town's water, sewer, trash, and gas services are classified as business-type activities.

1D. Government-wide Financial Statements

The Statement of Net Assets and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity. The statements distinguish between governmental and business-type activities. Governmental activities are financed by

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

taxes, intergovernmental revenues, grants, and other miscellaneous revenues. Business-type activities are financed by charges for services.

1E. Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the Town:

Governmental Funds

The measurement focus of governmental funds in the fund statements is current financial resources. Generally, only current financial assets and liabilities are included on their balance sheets and only sources and uses of available spendable resources are presented on their operating statements. Fund balance is used as their measure of available spendable resources at the end of the period. The Town uses one governmental fund, the general fund.

Proprietary Funds

The measurement focus of proprietary funds is economic resources, the objectives of which involve the determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town uses only one proprietary fund, an enterprise fund. Enterprise funds are used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues; has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges; or establishes fees and charges based on a pricing policy designed to recover similar costs.

1F. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis

Both governmental and business-type activities in the government-wide financial statements and proprietary fund financial statements are presented using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Modified Accrual Basis

The governmental funds financial statements are presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (both measurable and available). Available means collectible within the current period or within 30 days after year end. Expenditures are generally recognized when the related liability is incurred.

1G. Cash and Cash Equivalents

The Town has defined cash and cash equivalents to be cash on hand, demand deposits, cash with fiscal agents, and short-term investments with original maturities of three months or less from the date of acquisition.

1H. Deposits and Investments

The governing body has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed. However, it is the policy of the governing body to require deposits in excess of FDIC limits to be collateralized as required by Oklahoma Statutes.

Investments are accounted for in accordance with GASB-31, *Accounting and Financial Reporting for Certain Investments*, which states that investments held at year end with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost.

1I. Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowances for uncollectible accounts are based on historical trends and periodic aging.

1J. Interfund Activity

Interfund activity is reported either as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other Interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

1K. Capital Assets

Capital assets purchased or acquired with an original cost of \$2,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	30 years
Utility systems	30 to 40 years
Equipment	5 to 20 years

GASB-34 required the Town to report and depreciate new infrastructure assets effective with its adoption in 2004. Infrastructure assets include roads, sidewalks, bridges, traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the Town. Neither their historical cost nor related depreciation has historically been reported in the financial statements. Retroactive reporting is not required.

1L. Compensated Absences

Town employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are expensed as paid.

1M. Revenues and Expenditures

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, and then unrestricted resources as needed. When fund balances in governmental funds that are committed or assigned are available, it is the Town's policy to use the committed or assigned resources first. Program revenues in the government-wide statements include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. In proprietary funds, operating revenues and expenses result from providing the goods or services that are the funds principal ongoing operations. Revenues and expenses not meeting this definition are nonoperating revenues and expenses. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB-33. In applying GASB-33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

1N. Memo Only Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

2. Deposits and Investments

The Town has deposits of \$112,832 in excess of insured limits that are collateralized by securities held by the pledging financial institution's trust department or agent but not in the Town's name.

The State of Oklahoma allows municipalities to invest in the following: direct obligations of the U.S. Government, its agencies or instrumentalities; collateralized or insured certificates of deposit; insured savings accounts or savings certificates; and county, municipal or school Town direct debt.

3. Restricted Cash

Grant County sales taxes restricted for the Wakita fire department are recorded as restricted cash in the general fund. Although county funds, the Town records them on its books for purposes of oversight and control since the expenditure of these funds is material to the financial statements of the general fund. The balance at June 30 is \$780,721. Shared tax revenues of \$223,994 and expenditures of \$15,539 are included in these financial statements.

Workers compensation reserves of \$8,492 are on deposit at the Oklahoma Municipal Insurance Group (OMAG).

Debt service reserves are required by the Rural Development loan agreement. A debt service reserve of \$16,788 has been fully funded. A short-lived asset reserve is funded with monthly deposits of \$317. At year end, the balance of these reserve accounts is \$27,871, the required amount.

4. Capital Assets

Depreciation expense was charged to functions as follows:

Governmental activities		Business-type activities	
General government	35,939	Administration	333
Police department	3,399	Sewer	31,887
Fire department	17,413	Water	28,718
Street department	5,475	Gas	1,554
Total governmental depreciation	<u>62,226</u>	Total business-type depreciation	<u>62,492</u>

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Capital asset activity for the year just ended is summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Depreciable assets				
Buildings	1,073,094	0	0	870,513
Leased equipment	55,200	0	0	55,200
Equipment	261,736	4,100	(2,800)	243,215
Infrastructure	38,394	0	0	38,394
Total depreciable assets	1,428,424	4,100	(2,800)	1,207,322
Accumulated depreciation				
Buildings	(420,014)	(36,364)	0	(456,378)
Leased equipment	(1,380)	(2,760)	0	(4,140)
Equipment	(155,104)	(21,183)	2,520	(173,766)
Infrastructure	(4,799)	(1,920)	0	(6,719)
Total depreciation	(581,297)	(62,226)	2,520	(641,004)
Net depreciable assets	847,127	(58,126)	(280)	566,318
Net governmental assets	847,127	(58,126)	(280)	566,318
Business-type activities				
Assets not depreciated				
Land	160,000	0	0	160,000
Construction in progress	11,387	0	(11,387)	0
Total assets not depreciated	171,387	0	(11,387)	160,000
Depreciable assets				
Buildings	10,000	0	0	10,000
Equipment	9,228	0	0	9,228
Utility systems	1,940,268	235,419	0	2,175,686
Total depreciable assets	1,959,495	235,419	0	2,194,914
Accumulated depreciation				
Buildings	(4,917)	(333)	0	(5,250)
Equipment	(6,172)	(1,303)	0	(7,475)
Utility systems	(605,219)	(60,856)	0	(666,075)
Total depreciation	(616,308)	(62,492)	0	(678,800)
Net depreciable assets	1,343,187	172,927	0	1,516,114
Net business-type assets	1,514,574	172,927	(11,387)	1,676,114

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

5. Long-term Debt

	Interest Rate	Maturity Date	Amount Issued	Outstanding	Security
Governmental activities					
Backhoe	5.766%	2/10/2024	20,200	15,804	backhoe
Business-type activities					
Water system	3.250%	11/22/1933	375,000	354,732	water system and revenues
Water tower	0.000%	6/30/2018	49,170	39,336	water system and revenues
			<u>424,170</u>	<u>394,068</u>	

Long-term debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due in One Year
Governmental activities					
Backhoe lease-purchase	15,804	0	(1,137)	14,667	1,202
Business-type activities					
Water system note payable	359,900	0	(5,168)	354,732	5,338
Water tower contract	0	49,170	(9,834)	39,336	9,834
Total business-type activities	<u>359,900</u>	<u>49,170</u>	<u>(15,002)</u>	<u>394,068</u>	<u>15,172</u>

February 10, 2009, the Town entered into a \$20,200 15 year lease-purchase agreement for a backhoe. The lease carries a fixed annual interest rate of 5.766% and matures February 10, 2024. The Town is obligated to pay only such rental payments as are appropriated for that purpose annually. If the Town fails to budget funds for the lease, it will be deemed terminated at the end of the term last budgeted. The Town has the option to take title to the backhoe upon fulfillment of the lease.

July 22, 2011, the WUA issued a \$375,000 note for water system improvements. The note carries a fixed annual interest rate of 3.25% and matures July 22, 2051. The note is secured by all water revenues and a mortgage on the water system. Debt service reserves required by the note are recorded as restricted cash (see Note 3).

February 5, 2014, the WUA entered into a contract for emergency water tower repairs with their water tower maintenance contractor (See note 8). The repairs are being financed by the contractor over 5 years for equal annual payments of \$9,834. Should the WUA cancel the long-term maintenance contract, the full amount of the repairs will be due within 30 days.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

A summary of debt service requirements to maturity by year is as follows:

	Governmental activities			Business-type activities		
June 30:	Principal	Interest	Total	Principal	Interest	Total
2015	1,202	794	1,996	15,172	11,450	26,622
2016	1,272	724	1,996	15,348	11,274	26,622
2017	1,345	651	1,996	15,530	11,092	26,622
2018	1,423	573	1,996	15,718	10,904	26,622
2019	1,505	491	1,996	6,078	10,710	16,788
2020-2024	7,920	1,062	8,982	33,535	50,405	83,940
2025-2029	0	0	0	39,442	44,497	83,939
2030-2034	0	0	0	46,391	37,547	83,938
2035-2039	0	0	0	54,566	29,373	83,939
2040-2044	0	0	0	64,180	19,758	83,939
2045-2049	0	0	0	75,498	8,452	83,949
2050	0	0	0	12,610	173	29,571
Total	14,667	4,295	18,962	394,068	245,635	656,491

6. Defined Benefit Pension Plans

Volunteer Firefighters

Plan Description. The Town contributes to the Oklahoma Firefighters Pension and Retirement System (the System), a cost-sharing multiple-employer defined benefit pension plan administered by a 13-member board which acts as fiduciary for investment of funds and the application of plan interpretations. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System is a component unit of the State of Oklahoma and is authorized under Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 4545 N. Lincoln Blvd., Suite 265, Oklahoma City, OK 73105, or by calling 1-800-525-7461.

Funding Policy. Volunteer firefighters are not required to contribute, but the Town is required to contribute \$60 per volunteer per year. The contribution requirements of the System are an established rate determined by Oklahoma Statute and are not based on actuarial calculations. The Town's contribution to the System for the years ended June 30, 2014, 2013 and 2012 was \$1,020, \$1,200 and \$840 respectively equal to the required contribution for each year.

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Town Employees

Plan Description. The Town's defined benefit pension plan, the Town of Wakita Plan and Trust (WPT), provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. WPT is affiliated with the Oklahoma Municipal Retirement Fund (OMRF), an agent multiple-employer type plan administered by Bank One in Oklahoma City, OK. Title 11, Oklahoma Statutes 1981, sections 48-101 et. seq. assigns the authority to establish and amend the benefit provisions of the plans that participate in OMRF to the respective employer entities; for WPT, that authority rests with the Town of Wakita. The Oklahoma Municipal Retirement Fund issues a publicly available financial report that includes financial statements and required supplementary information for the plan and may be obtained from their offices at 100 North Broadway, Oklahoma City, OK 73102, or by calling 1-888-394-6673.

Funding Policy. OMRF members are required to contribute 2.25% of their annual covered salary. The Town is required to contribute at an actuarially determined rate which is currently 7.48% of annual covered payroll. However, the Town is currently contributing 8.16% in order to prefund a future benefit increase. The contribution requirements of plan members and the Town are established and may be amended by the OMRF Board of Trustees.

Annual Pension Cost and Net Pension Obligation. For the year ended June 30, 2014, the Town's annual pension cost was \$5,925. Actual contributions of \$6,464 exceeded the required contributions. The required contribution was determined as part of the January 1, 2013 actuarial valuation using the entry age normal cost method which is computed as the level percent of pay which, if paid from the time an employee becomes a participant until assumed retirement, would accumulate funds sufficient to pay all plan benefits. The actuarial assumptions include (a) 7.5% investment rate of return (net of administrative expenses), (b) projected salary increases that vary by year based on the age of the employee, and (c) 3% per year cost-of-living adjustments. The actuarial value of WPT assets was determined using a 7.5% yield on the actuarial value at the beginning of the period, increased or decreased by a cumulative adjustment using a range of 80% to 120% of the current market value of the fund.

Fiscal Year Ending	Annual Pension Cost	Percentage APC Contributed	Net Pension Obligation
6/30/2012	6,344	120%	0
6/30/2013	6,334	124%	0
6/30/2014	6,464	109%	0

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

Schedule of Funding Progress.

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL) Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2014	198,592	Actuarial	205,795 EAN	7,203	96.5%	85,380	8.4%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

7. Workers' Compensation Plan

The Town participates in the Oklahoma Municipal Assurance Group (OMAG) Workers' Compensation Plan (the Plan). The Plan became effective October 1, 1984. The purpose of the Plan is to provide workers' compensation coverage through the State Insurance Fund to participating municipalities in the State of Oklahoma. In that capacity, the Plan is responsible for providing loss control services and certain fiscal activities including obtaining contract arrangements for the underwriting, excess insurance agreements, claims processing, and legal defense for any and all claims submitted to it during the Plan year. A plan year normally begins at 12:01 am July 1 in any year and ends at midnight June 30 of the following year. The Plan, or its designated agent, has a right to audit at all reasonable times such books and records of the participant as necessary to determine the monies owed for benefits provided to the municipality or its employees.

Plan participants have the responsibility to pay fees set by the Plan and to pay those fees from funds appropriated for that purpose according to the established payment schedule. In addition, participants are responsible for complying with all requirements of the Oklahoma Workers' Compensation Act. Participants have the right to the return of any Loss Funds set aside for claims which have not been paid out as benefits. Losses are limited to amounts set aside by the plan. The amount of Town funds on deposit with OMAG at year end was \$8,492.

8. Long-term Maintenance and Repair Contract

During 2000/2001, the Town entered into a long-term contract for water tower repairs and maintenance. An annual maintenance fee began in 2004 with cost of service adjustments calculated every three years, but in no case to exceed 5% annually. The contract is subject to cancellation with 90 days written notice prior to the anniversary date. The cost for 2014 was \$6,902.

9. Risk Management

The Town is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages

The Town of Wakita
Notes to the Basic Financial Statements
As of and for the Year Ended June 30, 2014

this risk through the purchase of commercial insurance policies. Risk management activities are accounted for by fund, and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. No claims were made during 2014.

10. Budgets and Budgetary Accounting

The board of trustees adopts legally required annual operating budgets each year for each fund. The same generally accepted accounting principles basis of accounting used for financial reporting purposes is used for budgetary purposes. At the fund level, actual expenditures cannot exceed budgeted appropriations at the department level. Budgetary transfers between departments of the same fund are approved by the board when required. Supplemental appropriations, if needed, are approved by the board and submitted to the state auditor's office as required by state statutes. All appropriations lapse at the end of the fiscal year. Encumbrance accounting is not used. During the year, no budget amendments were approved.

11. Interfund Transactions

	General	Utility	
Transfers	Fund	Fund	Total
Sewer grant	(125,141)	125,141	0

	General	Utility	
Internal Balances	Fund	Fund	Total
Payroll	(21)	21	0

12. Subsequent Events

Management performed an evaluation of the Town's activity through September 16, 2014, the date the audit was available to be issued, and has concluded that there are no significant subsequent events requiring disclosure through that date.

The Town of Wakita
Schedule of Funding Progress
As of and for the Year Ended June 30, 2014

Actuarial Valuation Date	Value of Assets	Asset Valuation Basis	Actuarial Accrued Liability (AAL)	Type	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
1/1/2005	85,525	Actuarial	137,252	EAN	51,746	62.3%	73,929	70.0%
1/1/2006	85,525	Actuarial	137,272	EAN	51,746	62.3%	73,929	70.0%
1/1/2007	101,423	Actuarial	150,359	EAN	48,936	67.5%	76,108	64.3%
1/1/2008	118,324	Actuarial	164,893	EAN	46,569	71.8%	78,338	59.4%
1/1/2009	122,144	Actuarial	160,053	EAN	37,909	76.3%	79,796	47.5%
1/1/2010	135,115	Actuarial	172,605	EAN	37,490	78.3%	80,241	46.7%
1/1/2011	143,403	Actuarial	173,580	EAN	30,176	82.6%	80,171	37.6%
1/1/2012	158,752	Actuarial	187,193	EAN	28,441	84.8%	79,199	35.9%
1/1/2013	174,435	Actuarial	189,104	EAN	14,670	92.2%	82,112	17.9%
1/1/2014	198,592	Actuarial	205,795	EAN	7,203	96.5%	85,380	8.4%

**THE TOWN OF WAKITA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Budget Basis Actual	Variance Favorable (Unfavorable)
REVENUES				
Sales and use taxes	78,500	103,500	115,926	12,426
Franchise taxes	12,000	13,000	12,388	(612)
Shared taxes	12,100	12,100	328,547	316,447
Grants	44,500	44,500	4,484	(40,016)
Fines and fees	0	0	1,008	1,008
Interest	800	800	607	(193)
Other revenues	8,500	8,500	2,697	(5,803)
TOTAL REVENUES	156,400	182,400	465,657	283,257
EXPENDITURES				
General government	29,500	61,500	56,734	4,766
Police department	55,600	55,600	50,688	4,912
Fire department	9,500	9,500	18,511	(9,011)
Street department	23,700	23,700	22,518	1,182
Debt service	2,000	2,000	1,996	4
Capital outlay	60,000	60,000	22,403	37,597
TOTAL EXPENDITURES	180,300	212,300	172,850	39,450
REVENUES OVER (UNDER) EXPENDITURES	(23,900)	(29,900)	292,807	322,707
BEGINNING FUND BALANCE	602,413	602,413	602,413	0
ENDING FUND BALANCE	578,513	572,513	895,220	322,707

Notes to the budgetary comparison schedule:

1. Any differences between the budget basis and GAAP are immaterial.
2. County fire tax funds were not budgeted.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

The Board of Trustees
The Town of Wakita, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Wakita, Oklahoma, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Wakita's basic financial statements, and have issued our report thereon dated September 16, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Wakita's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Wakita's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Wakita's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described below.

2014-1: Since the Town's clerk/treasurer is the only administrative employee, there is no segregation of duties between those maintaining the general ledger, the billing system, and performing reconciliations, and no compensating procedures to provide for oversight or review of those transactions. We recommend that the Town find ways for the trustees to provide oversight of the accounting functions, such as receiving unopened bank statements for review; reviewing utility billing and payment reports, and spending more time at town hall to become familiar with its operations.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the Town of Wakita are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.


The Town of Wakita's Response to Findings

The Town of Wakita's response to the findings identified in our audit is described below. The Town of Wakita's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

2014-1 response: Since we are a small town with our clerk/treasurer as the only administrative and bookkeeping employee, we do not have a way of segregating duties. However, we will try to find ways to establish better oversight procedures.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 C.P.A., Inc.

Becky Fleming, C.P.A., Inc.
September 16, 2014